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Pakistan

Sugar

Semi-Annual

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Report Highlights:

Pakistan's MY 2003/04 sugar production is expected to increase to 4.03 million metric tons due to higher yields resulting from better sucrose recover rates and greater availability of water inputs. To address rising stock levels, the Government of Pakistan will maintain the 25 percent import duty and 15 percent sales tax levies assessed initially in June 2003 and consider an industry introduced self-financed export subsidy scheme.

Includes PSD changes: No
Includes Trade Matrix: No
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SUGARCANE AREA

Pakistan’s MY 2003/04 sugarcane area is forecast to decline 5 percent to 1.04 million hectares. The Punjab province, a major sugarcane growing area, witnessed a 7 percent decrease in cane area since last year due to Pyrilla infestation. Some farmers shifted crop cultivation from sugarcane to cotton and rice as a result to enhance their economic return. Meanwhile the Sindh province witnessed a marginal increase in sugarcane planted area on improved irrigation availability while the North West Frontier province (NWFP) experienced a slight decrease in cane area due to falling returns to the farmer.

SUGARCANE PRODUCTION

MY 2003/04 sugarcane production is forecast to remain unchanged from last years output of 52 million metric tons (MMT) despite a projected 5 percent decrease in planted area. Higher expected yields are the reason for the optimism. Recent field surveys in the principal sugarcane growing areas and consultations with crop experts in the Punjab and Sindh Provinces revealed crop conditions/growth much better as compared to last year because of greater availability of water for irrigation and return of a normal monsoon season that bypassed the country the past few years. The recent monsoon-induced flooding in the Baddin district of Sindh Province caused minimal damage to the sugarcane crop there. Production inputs (i.e., fertilizers, insecticides, etc.) and necessary control measures were applied by producers during the critical part of the growing season. As a result, farmers are expected to gain maximum returns on their efforts.

Table 1: Sugarcane Area and Production by Province

Province	Area (‘000' hectares)			Production (‘000' MT)		
	MY01/02	MY02/03	MY03/04	MY01/02	MY02/03	MY03/04
Punjab	657.0	735.0	685.00	31,803	33,168	33,000
Sindh	241.0	259.0	260.00	11,416	13,798	14,000
NWFP	102.0	105.0	104.00	4,787	5,049	5,000
Baluch	0.7	0.8	0.7	35	41	40
Total	1,000.7	1,099.8	1,049.7	48,041	52,056	52,040

Source: Ministry of Food and Agriculture and FAS/Islamabad

PRODUCTION POLICY

The Government of Pakistan (GOP) encourages cane production via a market support price announced prior to planting. The support price, though well above the world price, is set below the local domestic market price thus acts as an indicative price. As a result, the government generally does not procure cane. The GOP has not announced the support prices for various provinces as the crushing season is about to begin soon. MY 2003/04 prices are expected to remain unchanged at Rs. 42 per 40-kilograms for Punjab and NWFP and Rs. 43 per 40-kilograms for Sindh, both adjusted for sugar recovery levels (Rs. 58 = US$1). During the last crushing season, sugar mills in Punjab and Sindh provinces paid Rs. 2-3 per 40 Kgs. less compared to the given price as stocks exceeded local demand. The sugar industry, faced with rising stocks of sugar, finds itself unable to pay farmers for the cane purchased. Because of the stock situation the industry again will delay initiating the crushing season, possibly as late as the end of November/first part of December to allow more time for the market to absorb last season's sugar stocks.

Table 2. Refined Sugar Production, Supply and Demand

Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Revised	2004	Forecast
	USDA Official	Estimate	USDA Official	Estimate		
Market Year Begin		10/2001		10/2002		10/2003
Beginning Stocks	425	425	460	460	0	797
Beet Sugar Production	32	32	33	24	0	24
Cane Sugar Production	3421	3421	3745	3920	0	4013
TOTAL Sugar Production	3453	3453	3778	3944	0	4037
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	32	32	0	0	0	0
TOTAL Imports	32	32	0	0	0	0
TOTAL SUPPLY	3910	3910	4238	4404	0	4834
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	215	107	0	324
TOTAL EXPORTS	0	0	215	107	0	324
Human Dom. Consumption	3450	3450	3500	3500	0	3550
Other Disappearance	0	0	0	0	0	0
Total Disappearance	3450	3450	3500	3500	0	3550
Ending Stocks	460	460	523	797	0	960
TOTAL DISTRIBUTION	3910	3910	4238	4404	0	4834

SUGAR PRODUCTION

MY 2003/04 refined sugar production is expected to increase 2.35 percent to 4.03 million metric tons (raw value) in response to a higher sucrose recovery rate from the cane processed. In recent years sugar mills have worked with producers to introduce sugarcane varieties that produce higher levels of sucrose. These varieties are starting to come on-line now in the Punjab and Sindh provinces. Some cane in the NWF province is expected to divert to 'Gur' production to meet demand for that product emanating from Afghanistan.

CONSUMPTION

MY 2003/04 sugar consumption is forecast to increase about 1.42 percent to 3.55 MMT due mainly to a decrease in consumption of Gur which is used as alternative for sugar in some areas. Retail sugar prices hover around Rs. 20-21 per kilogram as stocks remain readily available. It is broadly understood in the community that the GOP would like to see retail prices maintained in the Rs. 20 - 21 per kilogram or lower range.

TRADE

MY 2003/04 sugar exports (raw basis) are forecast at 324,000 MT. The Sugar Industry has targeted this quantity for the Government of Pakistan by means of establishing a self-finance scheme funded by a surcharge levy of Rs. 0.60 per Kg. on sugar sales in the country. Funds collected would be used to finance sugar exports.

During MY 2002/03 sugar exports are estimated at 100,000 MT only. The GOP had authorized the Trading Corporation of Pakistan (TCP) to procure 300,000 MT of sugar from the sugar industry for export. However, TCP did not pursue this authority fully due to higher domestic cost for the sugar and to not having received assurance of any subsidy from the GOP. Under such market circumstances, the GOP was reluctant to subsidize sugar exports. The TCP did purchase 100,000 MT of sugar at a price of US$ 293 per MT and sold this in the export market at a price of US$ 213 per MT. If incidental charges of US$ 40 are also accounted for, then the GOP would pay a subsidy of US$ 120 per MT on these exports.

During June 2003 the GOP has imposed a 25 percent import duty and 15 percent sales tax on imported refined sugar. Mill owners' view this levy as necessary to 'protect' the local industry, whose cost of production for refined sugar makes it uncompetitive with its imported counterpart.

STOCKS

MY 2003/04 stocks are forecast to increase to 960,000 MT given projected supply-demand scenarios and trade expectations. The sugar industry is of the view a delay in start-up of the 2003/04 crushing season is necessary in order to off-load more of the previous years stocks. Sugar stocks are held by the mills and the private trade. The GOP does not control or maintain any sugar stocks.